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Committee on Financial Services

Michael G. Oxley, Chairman

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Floor Statement

House Financial Services Committee

Chairman Michael G. Oxley

H.R. 3004, the Financial Anti-Terrorism Act of 2001

October 17, 2001

Mr. Speaker, I rise in support of H.R. 3004, the Financial Anti-Terrorism Act of 2001.

The Committee on Financial Services overwhelmingly approved the bill last week in a near unanimous vote of 62-1, signaling a strong consensus among Republican and Democratic lawmakers, Administration officials, and the financial services industry that the time for business-as-usual is over. There is little dissent among us: strong anti-money laundering measures are needed, and needed now. We recognize that failure to move swiftly could leave an open door to future deadly attacks against innocent U.S. citizens, and we refuse to stand idly by. This bill and the strong bipartisan support it enjoys represent a resounding pledge of Congressional support for the President in fulfilling his vow to starve terrorists of funding.

In the month since the devastating attacks of September 11, we have learned how easily the terrorists used American dollars and the world-class services of the American financial system to underwrite their deadly operations. At our October 3 Committee hearing, we heard testimony from Treasury Under Secretary for Enforcement Jimmy Gurule on how terrorist operatives from Bin Laden's organization, Al Qaeda, utilize "checks, credit cards, ATM cards, and wire-transfer systems and brokerage accounts throughout the world, including the U.S." He testified that Al Qaeda uses banks, legal businesses, front companies and underground financial systems to finance the organization's activities, and that some elements of the organization rely on profits from

the drug trade. He also pointed out how some Islamic charities have been penetrated and their fund raising activities exploited by terrorists.

Another witness, Deputy Assistant Attorney General for the Justice Department's Criminal Division Mary Lee Warren, warned that the United States is fighting with "outdated weapons" in the war against money laundering and flagged serious problems associated with international smuggling of bulk cash and wire transfers of funds that enable criminals in one country to conceal their funds in another.

Chief of the Financial Crimes Section of the FBI's Criminal Investigations Division Dennis Lormel echoed that concern when he testified how terrorist and other criminal organizations "rely heavily upon wire transfers." He flagged correspondent banking as another "potential vulnerability in the financial services sector that can offer terrorist organizations a gateway into U.S. banks."

A private sector money laundering expert subsequently described in detail how underground "black market banking" operations - like the ancient South Asian "Hawala" money transfer system - are used by criminals to finance their operations.

I applaud the efforts the Administration has already taken to disrupt the financial infrastructure of international terrorist organizations. Those actions include the creation of a new Foreign Terrorist Asset Tracking Center, the issuing of a strong executive order to block the financial assets of terrorists and their supporters, the passage by the United Nations of a U.S.-drafted resolution calling on all governments to freeze terrorist assets, and the immediate, widespread mobilization of the U.S. financial services industry to assist in ferreting out the money trail of these terrorists.

To supplement these early initiatives, H.R. 3004 gives the Administration new and improved tools to fight the financial war against terrorism. Here's how.

First, the bill significantly strengthens the hand of law enforcement by enhancing bulk cash smuggling laws, making it easier to prosecute illegal money service businesses, making the provision of material support to terrorists a predicate offense for money laundering, barring the entry of aliens suspected of money laundering, and strengthening procedures for obtaining foreign bank records relevant to terrorism or money laundering.

Second, the bill enhances private-public cooperation between Federal agencies and the financial services industry. The bill requires the creation of a private-public task force on terrorist financing as well as the establishment of a secure website to accept reports from financial institutions about suspected terrorist activity and to alert them to matters requiring immediate attention. The bill also seeks to reduce the number of bank-filed reports where they are unnecessary for law enforcement, and requires Treasury to report regularly to industry on the utility of the reports that are being filed.

Third, in order to deal with international money laundering risks, including those associated with terrorism, the bill prohibits U.S. correspondent banking privileges for

offshore shell banks and authorizes the Secretary of the Treasury to take special measures if a foreign country, institution, or a particular type of transaction or account is deemed to be a primary money laundering concern.

In closing, let me simply say that this package is balanced and comprehensive. It reflects input from Members on both sides of the aisle as well as from the White House, the Treasury Department, and the Justice Department.

I urge my colleagues to give H.R. 3004 their full support and vote aye. Thank you.